DEVELOPMENT (195 3) Department

Ms. SERIES.

G.O. No. 486

Dated the 31st January 1953.

FOR MYSORE STATE

[Despatch Abstract.]

TEXTILES - Yarn - Prices - Fixation of - Revision of formula - Government of India addressed - Papers - RECORDED.

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Government of Madras.
Development Department.

D.O. No.36652-M.II/52-12.

Fort St. George,
Madras,
31st May, 1952.

TEXTILES - Handloom Industry - Proceedings of the Meeting held on 29-5-1952.

I am to enclose a copy of the proceedings of the meeting of the High Power Handloom Committee held in the room of the Hon'ble Minister for Industries and Labour on 29-5-1952 for your information and to state that the proceedings will be considered for confirmation at the next meeting of the Committee to be held at 3 P.M. on 4-6-1952 in the same place. I am to request you to make it convenient to attend that meeting.

Yours sincerely,

Sd/- J.M. Lobo Prabhu

To
Sri V.V. Subramaniam, I.C.S.,
Director of Controlled Commodities.

Sri J.C. Ryan, M.A., I.A.S.,
Registrar of Co-operative Societies.

Sri R. Prasad, I.C.S.,
Collector of Malabar.

Sri Pragada Kotaiah, M.L.A.,
Nidubrolu, Ponur, Guntur District.

Sri K.S. Parthasarathy,
Room No.6, Saraf Ali House, 157, Broadway, Madras.

Copy to the Hon'ble Sri V.C. Palaniswami Gounder,
Minister for Prohibition.

Copy to the Hon'ble Dr. M.V. Krishna Rao,
Minister for Education.

PROCEEDINGS of the first meeting of the High Power Handloom Committee to consider relief to Handloom Weavers held on 29-5-1952 in the room of the Hon'ble Minister for Industries and Labour.

PRESENT.

1. Hon'ble Dr.U. Krishna Rao - Minister (Industeis & Labour)
2. Hon'ble Sri C. Subramaniam - Minister (Finance)
3. Hon'ble Sri V.C. Palaniswami Gounder - Minister (Prohibition)
4. Hon'ble Dr. M.V. Krishna Rao - Minister (Education)
5. Sri J.M. Lobo Prabhu, I.C.S. - Secretary, Development Department.

6. Sri V.V. Subramanian, I.C.S.	Director of Controlled Commodities.
7. Sri S.C. Ayyar, M.A., A.A.S.	- Registrar of Cooperative Societies.
8. Sri M. Prasad, I.C.S.	- Collector of Malabar.
9. Sri P. Kotaiah	- M.L.A.
10. Sri K.S. Parthasarathy	-

The proceedings of the conference held on 29th April and the Scheme for Relief submitted by Sri Kotaiah were read. The Registrar stated that the position had deteriorated since 29th April, the value of unsold stocks with Cooperative Handloom Societies having increased from one crore to nearly two crores. Sri Kotaiah confirmed this, in respect of the ordinary weavers and the Collector of Malabar in respect of the handloom factories in North Malabar. According to the Registrar market was available only to production which allowed wages at 6 annas per knot. Relying on the price fluctuation fund, the Co-operative Societies had slashed even the price of cloth produced at higher wages to the level of production at 6 annas per know.

Development Secretary explained that the crisis in handloom production was essentially related to the competition from mill made cloth, which was being sold even below controlled rates in the free market now available to the mills. Apart from the natural advantages always existing, mill made cloth now was benefitting from the fall in the price of cotton, which was reflected in the price of yarn used by them more immediately than in the price of yarn used by handloom which was fixed only quarterly and owing to the time lag in distribution was reflected in the price atleast two months later.

Hon'ble Finance Minister was of the view that the immediate problem was of finding a market for handloom cloth at a price which could provide at least subsistence wages to the weavers. This involved (1) a price related to the price of yarn, (2) a Guarantee that the price will be paid by Government to weavers registered (3) a sales organisation which saves the market from depression by unsold stocks.

It was accordingly decided.

(1) That as yarn constitutes nearly two-thirds of the cost of production, it s price should be reduced, consistently with the price of cotton. The precise figures of the cost of yarn and cotton for a per say six months, may be examined, and the disparity pointed out to the Government of India demiofficially that a better formula for price regulation is evolved. In this connection, the effect of the time lag on handloom production, particularly its consequences in competition with the production of composite mills may be emphasised. Government of India may be cautioned that unless there is appropriate adjustment, the present crisis may deepen, and put the handloom industry out of Commission.

2) That the price of yarn of 40s counts made out of imported cotton not only complicates the price structure, but makes the fabrics produced out of the yarn, unsaleable even at cost price. If Government of India consider that this price should be paid, they may subsidise the difference in respect of the supplies allocated to handloom. In any case, they may secure that no composite will make yarn of 40 counts produced from India cotton, which should completely belong to the Free Yarn Pool.

(3) That reservation of cloth for handloom production may be extended, as there are many varieties now produced by mills which could be produced by handloom by handloom at the same price.

D.Dis.72234-52/B1.

Office of the
Director of Controlled Commodities,
Mount Road, Madras. Dated 26-12-1952.

From

Sri V.V. Subramanian, I.C.S.,
Director of Controlled Commodities.

To

The Secretary to Government,
Development Department,
Fort St. George, Madras.

Sir,

Subject: TEXTILES - Yarn Prices - Revision - Regarding.

Reference: Government D.O. letter No.62967-MII/52-3, dated 2-12-1952.

I have not received the statement containing the prices of Cottons required for spinning 20s, 26s, and 40s counts taken for the purpose of fixation of prices for the above counts said to have been enclosed with the D.O. letter No.10(5)-CT(a)/52, dated 24/25th November 1952 from Sri S.A. Teckchandani, Government of India, Ministry of Commerce and Industry, New Delhi. I invite a reference to the relevant extracts from the Tariff Board's Report submitted with this office letter No.54371-52/D3, dated 26-12-1952. It is stated in the Tariff Board's Report that the cost of cotton constitutes about 70 percent of the fair ex-mill prices of reeled yarn and the manufacturing charges inclusive of reeling, bundling and packing charges constitutes about 30 percent of the fair ex-mill prices of reeled yarn. Prices are governed by the fluctuation in the prices of cotton during the 1st week of the month preceding every quarter. Sri Teckchandani in his D.O. letter enclosed with the Government D.O. letter states that while in some cases, mills may be able to purchase cotton cheaper during the three months immediately following the price fixation, the converse is equally the case when cotton prices are on the upward trend. He also states that it is not possible to fix the prices every month so as to take into account the existing prices of cotton for fixing the prices of yarn and that the Tariff Boards formula was adopted as the most feasible solution. As regards evolving better formula, he says that the Tariff Board has evolved the formula after making an exhaustive enquiry. The recent slump has proved that the method of fixing prices according to this formula is a little artificial. Mills have been selling considerable quantities of yarn at prices lower than those derived from the formula. Of course it is stated that they have been selling at a heavy loss, but it is doubtful whether this is really so. The statement in para 4 of Shri Teckchandani's letter viz. that the Government of India have followed the "market trends" and desisted from increasing the price of yarn through the Tariff Board formula justified an increase of 7 to 14 percent, is significant. It seems to me that the Tariff Board formula, so far from giving just a reasonable margin of profit to the mills, has been used by the Mills as a clock behind which they extracts the maximum profits when the market was favourable; and now the formula has been given up in accordance "with market trends. Further even assuming that the formula, itself is correct, there may be inaccuracies in applying it (eg.) in adopting the figure for the price of cotton and other factors involved in the formula. The price fixing is done in the Textile Commissioner's office and is not possible to investigate from here, with what degree of accuracy the price fixing has been done. It is difficult to get rid of the feeling that the handloom weaver's position during the control, so far as prices are concerned, has been little different from that before the control as described in the fact finding Committee's Report 1942 viz. that the handloom wever being the "bottom dog"

(4) that evasion by mills of the orders in respect of the present reservation, may be carefully checked. It is reported that some mills are producing cloth which is easily convertible into varieties now reserved for handloom.

(5) That while the existing stocks, now largely in the hands, of middlemen may be left to be disposed in the course of normal business, new production of specified varieites, particularly of utility items may be guaranteed sale at floor prices, the Government organising the purchase. This would assure—

(a) a subsistence wage to individual weavers, the same being allowed in the price fixed.

(b) relieve the market of panic and pressure sales

(c) limit Government's liability only to the extent sales are made below cost price.

(d) maintain the existing structure of production, so that while a minimum price is assured, the weaver is free to obtain better prices by his own sales in the open market.

(6) The Scheme proposed is roughly —

All Weavers who wish to be assured purchase of their production at floor prices, will have their yarn ration cards stamped as such, with indication of the variety, size and price of the cloth which will be purchased by Government from the yarn supplied.

In determining the variety and size of the cloth, the procedure of the existing handloom societies will be followed to the extent possible. The Registrar will be asked to help. The price also will be determined by the procedure of the same Societies, the share allowed allowed to wages in the first instance being related to present selling prices, to be raised, as and when prices impove. A price Fixation Committee as proposed by Sri Kotaiah may be appointed for the purpose. The guarantee of purchase at floor prices will assure employement and a minimum wage, which are the core of the problem now. The alternative of organising Co-operative Production Societies, involves assumption of financial and administrative responsiblities in supersession of the existing mechanism, which can continue to function as it has been doing.

The guarantee of purchase at floor price will be restricted to individual weavers, but it may be extended to Master Weavers and Factories, at the written request of individual weavers employed by them.

Purchase at floor prices will be made by agencies appointed by Government preferably from the Co-operative Department. There may be two classes of agencies, one for outright purchase, in which case the further sale, will be at their own risk, at any price they seem fit. In effect they will only be nominated wholesale dealers for handloom cloth. The second class will be on agency basis, receiving a commission on sales made at prices fixed by Government. Their financial liability will be in the nature of security for stocks handled, Government being otherwise responsible for the investiment. The sales of such agents may also be regulated to secure price stabilisation and improvement. In any case, such impounding of stocks as there may be with such agents will relieve the market of the present congestion, and may improve the prices. The guarantee of a floor price will reduce panic selling and eliminate distress. Ultimately it will standardise and improve production, the weaver resting on the assurance that as long as he produces cloth of specified quality, he will receive a price which will compensate him for his labour.

J.M. Lobo Prabhu,
Secretary to Government.

THIS COPY

NOTE FILE.

Development (M.II) Department.

Sub: TEXTILES - Yarn - Prices - Fixation of - Formula.

Ref: Issued as Memo.No.62967-M.II/52-1, dated 5-6-1952.
From the Director of Controlled Commodities, No. 72234/52-B1, dated 5-7-1952.
D.O.No.62967-M.II/52-4, dated 11-7-1952 to Sri P. Govinda Nair, Deputy Secretary, Ministry of Commerce and Industry, Government of India.
From Sri S.A. Techchandani, D.O.No.10(5)-GT(A)/52, dated 24/25-11-1952.
From the Director of Controlled Commodities, D.Dis. 72234/52-B1, dated 26-12-1952.

The High Power Handloom Committee at its meeting held on 29-5-1952, recommended among other things, that the prices of yarn should be reduced consistently with the prices of cotton, that the precise figures of the cost of Yarn and cotton for aperiod of six months be examined and that the disparity be pointed out to the Government of India with a request to evolve a better formula for regulation of prices of yarn. In pursuance of this recommendation the Director of Controlled Commodities was addressed. The Director of Controll Commodities while submitting a statement showing the prices of Indian Cotton Yarn of counts 20s, 26s and 40s (single) per bundle of 10 lbs. each from April 1951 to June 1952 andthe wholesale price of cotton lint per imperial maund of 82 and 2/4 lbs. during the same period, pointed out that the price of cotton in June 1952 was reduced by about 1/3rd of the price in April 1951, whereas there was no such reduction in the prices of yarn. The Director suggested that this variation might be pointed out to the Government of India who might be requested to fix the price of yarn as low as possible consistent with the prices of cotton and to revise the Tariff Board Formula and the margin of profits allowed to Mills to rock bottom levels. Accordingly, Sri P. Govindan Nair, the Deputy Secretary to the Government of India, Ministry of Commerce and Industry was addressed. He was also informed that there was no relation between the prices of cotton and yarn, that in June 1952 the price of cotton was less than that in April 1952, but the yarn prices in June 1952 were higher than those in April 1952, and that unless there was appropriate adjustment in the price structure, the prevailing crisis might deepen and put the handloom Industry out of commission.

In reply to this communication, Sri S.A. Techchandni of the Ministry of Commerce and Industry, Government of India, has stated that there is relation between the prices of cotton and yarn, that the Quarterly price fixation of the cotton and yarn strictly follows the basis laid down by the Tariff Board, that the prices of yarn are governed by the fluctuation in the prices of cotton during the first week of the month preceding each quarter, and that the figures of cost of wholesale cotton indicated in the statement sent by this Government appear to be a flat average of various varieties of cotton, whereas certain varieties of cotton are taken for mixings for 20s, 26s and 40s in fixing the prices. Sri Techchandari sets out at 'B' on pp.29-30 c.f. the factors that were taken into consideration while fixing the prices of yarn for the quarters April to June and July to September 1952. He further states that the better formula suggested by this Government implied fixation of prices every month which is not practicable. The formula for fixation of prices of cotton textiles was evolved by the Tariff Board after an exhaustive enquiry into all the factors involved and the quarterly system was adopted. While in some cases, mills may be able to purchase cotton cheaper during the three months immediately following the price fixation, the converse is equally the case when cotton prices are on the upward trend. Sri Techchandari goes further to explain that the fixation of prices of yarn for October to December 1952 under the Tariff Board formula would have resulted in an increase of 7 to 14 percent over the prices of the previous quarter. But as these prices would have been contrary to the market trends and would have affected the handloom industry it was decided not to follow the Tariff Board formula but to allow the prices of the period July - September 1952.

The

The Director of Controlled Commodities, who was consulted on Sri Tookaboandari's B.O., states that the recent slump in yarn has proved that the method of fixing prices according to the Tariff Board Formula is a little artificial and that that mills have been selling considerable quantities of yarn at prices lower than those derived from the formula. The Director feels that the Tariff Board formula has actually been used by the mills as a cloak behind which, they extracted the maximum profits when the market was favourable; and the formula is not followed when it comes to the question of 'Market trends'. The Director considers that there may be inaccuracies in applying it, i.e. in adopting the figures for the prices of cotton and other factors involved in the formula. The price fixing is done in the Textile Commission's office, and it is not possible to investigate with what degree of accuracy the price fixing has been done. The Director, therefore, considers that no useful purpose will be served by pursuing the matter further.

In the circumstances, it is for consideration whether any further action is necessary.

The Director of Controlled Commodities after considering the whole matter, states that it is difficult to get rid of the feeling that the handloom weaver's position during the control, so far as prices are concerned, has been little different from that before the control, as described in the fact finding Committee's Report 1942, viz. that the handloom weaver being the "bottom dog" has been fleeced by the mills and their agents. He states that it is difficult to see how the handloom weaver will be able to get yarn at the lowest possible prices instead of at the ~~ghi~~ highest possible price, unless Co-operative Mills are started, or some or all the private owned mills are taken over for states management. Co-operatives are already starting some mills. It may, however, take long time before they will be able to produce the entire yarn required by the weavers. It also seems doubtful whether the question of statesmanagement of spinning mills can be considered seriously at this stage. We may perhaps accept the Director of Controlled Commodities' final conclusion that no useful purpose is likely to be served by pursuing the matter further. For orders.

'A'
S.A

S.A.
Dy. Secy.

May agree to 'A'

J.M. Lobo Pr.
20/1.

V. Krishna Rau,
27/1/53.

M. (I. & L.)

To
Asst.

[Orders in circulation on p.3 above.]

The papers may be [illegible].

A draft order is kept below for approval.

/ TRUE COPY /

SSSubramaniam/2

Superintendent.

has been pleaded by the mills and their agents. It is difficult to see how the handloom weaver will be able to get yarn at the lowest possible prices instead of at the highest possible price unless Co-operative Mills are started, or some or all the private owned mills are taken over for State management. Short of doing this, it does not seem that any useful purpose will be served by pursuing the matter further.

Sd/- D. Samuel,
30-12-52
for Director of Controlled Commodities.

Government of Madras.
Abstract.

TEXTILES - Yarn - Prices - Fixation of - Revision of formula - Government of India addressed - Papers Recorded.

DEVELOPMENT DEPARTMENT.

G.O. Ms. No.486. Dated the 31st January 1953.

Read: From the Director of Controlled Commodities, D.Dis. 72234/52-S1, dated 26-12-1952.

ORDER:

R e c o r d e d.

(By order of the Governor.)

J.M. Lobo Prabhu,
Secretary to Government.

To
The Director of Controlled Commodities.

/ TRUE COPY /

Superintendent.

SSSubramaniam/29-12.

P.t.o.

Examined by A. C. Sivaraksh
29.12

Read by 29/12